

***Determining the Composition and Collectibility  
of Child Support Arrearages***

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**Semi-Annual Performance Report of the Research Project  
New Approaches to Collecting Child Support Arrearages:  
Determining the Composition and Collectibility of Arrearages**

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# ***Determining the Composition and Collectibility of Child Support Arrearages***

## **1. Project Plan and Activities**

Nationally, child support arrearages are huge—over \$45 billion—and yet little is known about their composition and collectibility. This project was developed in response to the federal Office of Child Support Enforcement's request for proposals to study arrearages and develop strategies to deal with them. The project began in October 1999. This progress report covers the first six months of the project.

### ***Research Plan***

This project is a comprehensive study to determine the patterns of debt growth in Washington State child support cases. Our goals are to understand the processes and components of child support that lead to large debts; document the mitigating effects of interventions on collectibility; determine the impact of law and policies on debt growth; and recommend changes that will lead to lower arrearages.

To accomplish these goals, our objectives in this project are as follows:

- To quantify the rate of arrearage growth;
- To develop a model to predict debt growth outcomes and collectibility;
- To quantify the interaction of parents' usage of public assistance programs, participation in work activity programs, and payment of child support to determine the impact of interventions on debt collectibility;
- To document which field interventions are most effective in working older cases with high arrearages;
- To develop a model to chart points of return per effort (cost effectiveness breakpoints);
- To document the effect of Washington State's statutes, codes, and policies on the life cycle of the child support debt process;
- To prepare recommendations for changes necessary to optimize collectibility of debts, write off bad debt, and minimize future arrearage building;
- To evaluate the effectiveness of DCS programs in light of the federal incentive measure on arrears.

There are several parts to this study. The main part of the project will be based on analysis of a large database containing information on child support cases, noncustodial parents, other parties to the cases, and other public program usage. Longitudinal data analysis and neural network analysis will be used to develop a model for predicting debt outcomes.

The center of the study is the cohort of noncustodial parents (about 150,000 persons) listed on the universe of open child support cases present on SEMS (the DCS case management computer system) in third quarter 1995. Our longitudinal database enables us to track these individuals for 15 quarters,

from fourth quarter 1993 to second quarter 1997. With this cohort we can look back seven quarters and forward seven quarters. This period was chosen because it is a relatively stable period before welfare reform was implemented. The model can then be applied to other time frames.

Our database also contains information on the other parties to those cases, i.e., the custodial parents and children. Consequently, we can link individuals to multiple cases.

Through cross-matches with other administrative databases, we can measure networks of program usage, such as public assistance, mental health or alcohol/drug treatment, or vocational rehabilitation. We will develop an assistance and program usage profile.

We will analyze this data to determine the distribution of arrears patterns (increasing, decreasing, remained same, up and down). The techniques of logistic and neural network modeling and survival analysis will be used to develop the model for predicting debt outcomes.

The second part of the study is a case assessment. We will draw stratified samples representing debt patterns identified by the model for more detailed analysis. The sample cases will be examined by an experienced support enforcement officer (SEO). The SEO will review the case to determine how the obligation was set for the original order, the history of modifications, the noncustodial parent's income history, number of child support cases, payment record, and significant DCS enforcement actions and other interventions. The SEO will also check for evidence that DCS was aware of such factors as disability, public assistance usage, corrections record, and other barriers to collection, and evaluate DCS response in such instances.

This two-tiered analysis of debt patterns on child support cases will allow us to quantify the rate of arrearage growth, reliably predict debt growth outcomes and collectibility, determine cost breakpoints, and explain why the patterns occur. We want to document not only what is happening, but also why it is happening.

Third, we will review Washington statutes and policies that govern how child support debt is handled over the lifetime of the case. If it appears that certain statutes and practices are outdated and contribute to rapid arrearage growth, project findings may recommend changing them. Washington law contains provisions for charging off child support debts deemed uncollectible or reducing such debts for hardship when the debts are owed to the state (i.e., DSHS). Such reviews are conducted on a case-by-case basis as requested. The project will conduct a legal assessment to see if a more expedited remedy can be implemented for review of cases determined to be uncollectible.

Fourth, we will study DCS field pilot projects and other local initiatives to assess their role in reducing child support debt. Of particular interest are field office projects implemented as part of WorkFirst (Washington's welfare-to-work

program). We are also interested in projects specifically aimed at hard-to-work cases with large debts.

Fifth, we will examine the contribution of various programs, including federally mandated ones, to increasing DCS collections on child support arrears. Given the new federal incentive system, however, DCS needs to consider the specific performance measure for arrears in choosing strategies for improving collections on arrears.

Finally, on the basis of our findings, we will recommend ways to manage debt on old cases and to avoid practices that appear to contribute most to arrearage growth, and suggest strategies and program changes that appear effective in responding to new federal requirements.

### ***Project Activities during the First Six Months***

An important part of the fall's work involved getting permissions from appropriate authorities in the state administration to conduct research across division lines. We submitted the required application to the Human Subjects Review Board, outlining the proposed research and explaining the reasons for our planned cross matches with other administrative databases. We received approval from the Board conditional upon actually getting agreements from the other divisions for use of their data.

Carl Formoso contacted appropriate representatives in the divisions and, in consultation with a DCS contracts officer, has completed agreements with five of the six divisions.

He spent much of his time obtaining files and building the needed database. The first task was to build the initial necessary database on noncustodial parents from various DCS flatfiles, including old tapes obtained from SEMS. He also conducted initial analyses using logistic regression and neural network modeling, discussed below.

Jo Peters carried out the investigation of field office pilot projects and other DCS initiatives that was outlined in the grant proposal. She conducted background research on the impact of particular legislation and policies on DCS efforts to reduce arrearages. She also consulted with staff attorneys about possible avenues for expediting reviews of inaccurate orders and high arrearages.

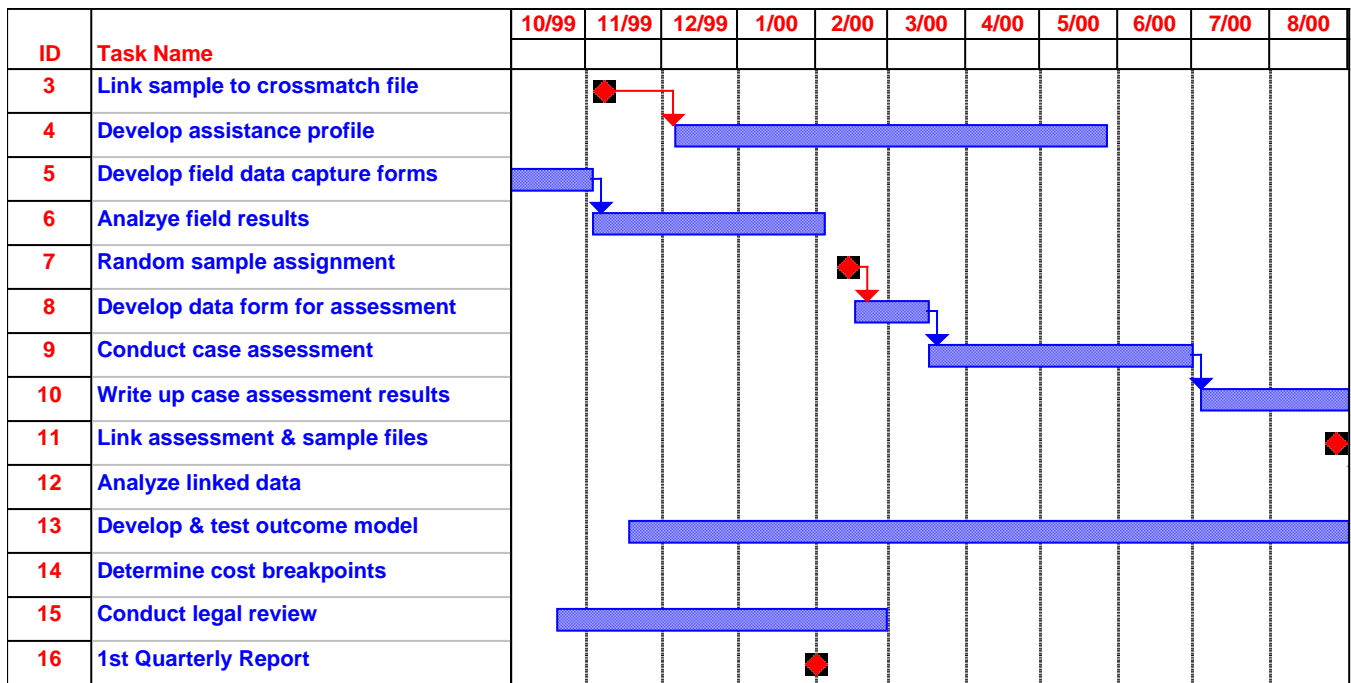
We are presently in the process of getting a position and recruiting the temporary SEO to do the detailed case assessment outlined above in the Research Plan.

Please see the Project Time Line Chart for more information on the project plan and progress.

In Part 2 Carl Formoso briefly summarizes progress on the longitudinal data analysis. As his summary shows, even without looking at the individual level

data, it seems clear that arrearage patterns are indeed correlated with public assistance patterns and that a predictive model can be developed.

In Part 3 Jo Peters discusses the situation DCS faces as the agency seeks to improve its performance on collecting arrears. She outlines possible strategies DCS can use to improve its performance as well as the dilemmas the agency faces. She then surveys recent state office and field office initiatives from the perspective of their impact on reduction of arrears. This analysis summarizes the investigation of special programs and field office projects outlined in our proposal.



## 2. Progress on Longitudinal Data Analysis

### *Needs Assessment Database (NADB) Cross-Match*

A contract was established with Kenneth Krupski Consulting, Inc. to perform the cross-match.

The NADB contains individual level data for 262 separate Department of Social and Health Services (DSHS) programs. The match has been completed, but at present, because of confidentiality issues, we only have access to aggregate count data.

We have decided to pursue data share agreements that will allow us to access individual level data in the cross-match from six divisions within DSHS. These are the Division of Alcohol and Substance Abuse (DASA), the Division of Children and Family Services (DCFS), the Division of Vocational Rehabilitation (DVR), Economic Services Administration (ESA), Medical Assistance Administration (MAA), and Mental Health Division (MHD). At present five of these agreements have been completed, and the final agreement will soon be in place.

### **Summary of preliminary results using aggregate count data from cross match:**

The number of DSHS programs used by the noncustodial parent is correlated to arrearage outcomes. As the number of programs increases, the fraction of clients with increasing arrearage initially increases sharply and then slowly decreases; and the fraction of clients

with decreasing arrearage continually decreases. Individual level data will help us clarify these effects.

### ***Spells Analysis***

A cohort was selected as all noncustodial parents with a CSE record in 95Q3, and data was obtained for the fifteen quarters from 93Q4 to 97Q2. CSE arrearage data was converted into a series of succeeding quarters, or spells, of debt trend and associated cost for each spell. The spell structure is created by looking at quarter-to-quarter differences in arrearage levels and determining the length of time during which arrears continually increased (type 1 in Table 1 below), continually decreased (type -1), showed no change (type 0), or where changes were not determinable due to quarters with no data for the non-custodial parent (type 9).

#### **Summary of preliminary results with spells analysis:**

There are 241,731 individual noncustodial parents in this cohort with, on average, 4-5 separate trend spells for each individual, and 1,018,863 separate spells for the entire file. Most individuals have more than one spell - only 28,255, or 11.7%, have only one spell of debt trend. Spell durations ranged from 0 to 14 quarters. Table 1 gives details.

Spells with increasing debt were more numerous than spells with decreasing debt (345,483 vs 321,137), were more cost intensive (\$3,283 per spell vs -\$1,842 per spell), and involved more noncustodial parents (189,389 vs 169,329).

**Table 1: Spells Summary**

type	# of spells	Avg spell cost	Avg spell dur	Num_indiv	cost/indiv	tot costs
-1	321,137	-\$1,842	2.39	169,329	-\$3,494	-\$591,604,882
0	233,265		4.05	160,133		
1	345,483	\$3,283	3.45	189,389	\$5,990	\$1,134,363,153
9	118,978		4.03	97,719		
All	1,018,863	\$533	3.32	241,731	\$2,245	\$542,758,271

### ***Modeling of Arrearage Behavior***

CSE history and other data from 93Q4 to 95Q3 are being used to develop a predictive model for arrearage outcomes in 97Q2. Indicator variables represent the actual outcomes: *up* is 1 if arrearage increased from 95Q3 to 97Q2, otherwise 0; *down* is 1 if arrearage decreased from 95Q3 to 97Q2, otherwise 0; *same* is 1 if arrearage did not change from 95Q3 to 97Q2, otherwise 0; *miss* is 1 if the individual's record is missing in 97Q2, otherwise 0.

### Summary of preliminary results with neural network modeling:

Model input includes information from CSE data variables TYPE, SUBRO, APLEP, ARLEP, ISTYPE, and PATCNT. Also included are the total duration of increasing (type 1) spells from 93Q4 to 95Q3, the total duration of decreasing (type -1) spells from 93Q4 to 95Q3, the total duration of no change (type 0) spells from 93Q4 to 95Q3, and the number of DSHS programs for the individual from the NADB cross-match. These variables are subjected to a principal components transformation, with the ten strongest components used as input to the neural network simulation.

A five-layer neural network simulation was trained with a 5% random sample of the arrearage cohort. The stabilized network was then applied to the whole cohort in the prediction of arrearage outcomes. Table 2 shows a summary of initial results. The first group of three rows shows the overall actual percentage in each outcome category, the percentage predicted by the network, and the percentage predicted by random selection. For example, 15.0% of the cohort had the same arrearage in 97Q2 as in 95Q3, while the network predicted that 14.6% had the same arrearage. The second group of two rows shows the percentage of correct guesses for each outcome by the network and random selection. A correct guess for *miss*, for example, is tallied when the guess is *miss*=0 and 0 is the actual value or when the guess is *miss*=1 and 1 is the actual value. The third group of two rows shows the percentage of individuals where the guesses on all four outcomes were correct – that is, the actual event was correctly predicted. Even with a network which, we expect, is far from optimal a level of predictability emerges which is much better than random selection.

**Table 2: Neural Network Preliminary Results**

	<b>Miss</b>	<b>Up</b>	<b>Down</b>	<b>Same</b>
<b><i>Overall</i></b>				
<b>Actual</b>	17.3%	40.0%	27.7%	15.0%
<b>NN Predict</b>	11.0%	51.3%	23.1%	14.6%
<b>Rand. Predict</b>	25.1%	25.0%	24.9%	25.0%
<b><i>By Individual</i></b>				
<b>NN %Correct</b>	81.0%	65.4%	73.6%	84.7%
<b>Random % Correct</b>	66.4%	55.0%	61.3%	67.5%
<b><i>All Four Correct</i></b>				
<b>NN %Correct</b>	52.3%			
<b>Random % Correct</b>	25.1%			



### 3. Improving Performance in Collecting Arrears: A Look at DCS Initiatives

#### Overview

Nationally, child support arrearages are huge—over \$45 billion—and yet little is known about their composition and collectibility.

One reason is that, until recently, states were measured by the amount of support collected without reference to the total base of support owed. This provided an incentive to states to hold on to child support debt as long as possible, extending the statute of limitations and not exploring the provisions for writing off bad debt used by private businesses. Moreover, federal case closure criteria are very restrictive, reflecting the long-time and widespread concern over escalating public assistance costs for children whose parents do not support them.

Welfare reform and subsequent child support legislation radically changed the way child support agencies need to look at arrearages. The new federal performance indicators upon which child support agencies' incentive funding is computed are sensitive to the base; that is, the measure is a fraction in which the numerator is the "successes" while the denominator is the "problems." For example, one of the incentive measures calculates the percentage of cases paying toward arrears. Many states, including Washington, show poor results on this measure. The new performance-based incentive system now gives state child support agencies, including the Washington State Division of Child Support, reasons to be much more concerned about the size of arrearages and the accuracy of the support orders that led to their accumulation.

Welfare reform also changed the distribution of dollars collected on child support arrears. Under the previous system, when a family went on AFDC the custodial parent assigned the support due to the state, which then kept money collected to reimburse the state for the costs of public assistance.

In many of Washington's child support cases, support collected never reached the level of public assistance expended on the family. Arrears were not "unassigned" unless DCS later determined that enough support had been collected from the noncustodial parent to cover the cost of public assistance expended on the family. This was determined through a special calculation called *Total versus Total* done by a unit in state office. Excess collected would be sent to the custodial parent.

Under the new system, arrears due the custodial parent before and after the period on public assistance will go back to the custodian. In October 1997, DCS began tracking "temporarily assigned arrears" separately from arrears accumulated while the family was on assistance. If the new system is fully implemented, in October 2000 DCS will begin to return "temporarily assigned arrears" to the family. Presently, further changes are under discussion at the federal level. But whatever the outcome, the prospect is for families to get support collected that previously would have remained assigned to the state.

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The family will therefore get more of the dollars collected. While this is good for the family, it has costs for the agency. The state not only loses some reimbursement but also loses its discretion to forgive some debt. Washington law gives DSHS authority under some circumstances to forgive debts owed to the department. Once subrogated, even debts arising from a court order come under the control of DCS. DCS conference boards can and do write off part or all of a subrogated debt for hardship reasons. Subrogated debts can also be used as negotiation tools.

Consequently, at the same time that DCS has a new incentive to examine the size of arrearages, it also is losing some flexibility to reduce debts through administrative actions.

### ***Some Critical Facts About the Debt and Debtors***

This interim report describes a number of strategies and specific projects for improving DCS performance. The purpose of this research project is to gain more systematic data about the dimensions of this debt in order to assess the usefulness of such strategies. But, at the outset, some basic information about the debt and debtors is necessary simply to see the place of each method.

In October 1999 Washington State had almost \$1,679,500,000 due in child support arrearages on IV-D cases. In its last federal report (for FFY 1999, ending September 30), DCS reported there were 289,101 cases with arrears due during that fiscal year. Of those cases, 180,675 made payments that applied toward those arrears during the year.

These figures of course reflect the operation of the distribution algorithm in applying payments as well as the amount collected. The algorithm applies payments to current support first before applying remaining money to arrears (except for funds received through IRS offset). The report just cited shows that DCS collected \$552,958,466 on IV-D cases for FFY 1999. Of this total, \$379,875,816 (68.7 percent) was applied to current support, with the remaining \$173,082,650 distributed as arrears. Yet the same report shows the total current support due in that year was \$658,676,626, while the total accumulated arrears at the end of that fiscal year were more than twice that amount.

Most of the open cases have arrears due. Some, of course, are open for collection of arrears only, but 80 percent of current support cases also have arrears owed. Although arrearages are widespread, debt amounts are not evenly distributed throughout the caseload. The bulk of the total debt is concentrated in a segment of hard-to-collect cases. This segment consists of severely delinquent cases with no payments for at least six months, excluding IRS offsets, and arrears of over \$500. At the end of January 2000, 61.3 percent of the total debt, roughly 1.03 billion dollars, belonged to this segment of 86,174 cases, 26.7 percent of the open cases. DCS had collected roughly \$243 million on this segment of cases.

We have already examined a random sample of cases from this segment of the DCS caseload. Our research project on hard-to-work cases was based on cases sampled from this segment, except that we excluded initiating interstate and tribal cases.<sup>1</sup> In that study, we discovered that almost half of the noncustodial parents had multiple child support cases, so that payments must be divided among cases. Even leaving aside the problem of multiple cases, collection staff discovered that during the project nearly 55 percent of the noncustodial parents in the sample treatment cases had some form of barrier to collection, with 34 percent having several barriers. Over 30 percent of these noncustodial parents received SSI or public assistance grants during the project period. At least 12.2 percent were incarcerated at some time during the project, and at least 30.6 percent had corrections records.

### ***Administrative Debt***

DCS establishes a support obligation through the administrative process when the agency receives a referral or a new application and there is no court order setting a support amount.

When setting support administratively, staff compute the support amount based on the actual income information of the parties, using the Washington State Child Support Schedule (WSCSS). When current information on the noncustodial parent's actual income is lacking, DCS must impute income. If possible, staff will impute income based on the parent's recent employment, using information from the last employer or from Employment Security quarterly earning reports. Lacking such information, DCS imputes income based on the U.S. median net income for individuals of that age group and gender. The SEO Handbook supplies a Median Income Support Chart, which computes the monthly basic support obligation per child based on the economic table and the Approximate Median Net Monthly Income charts in the WSCSS. Prior to the adoption of the WSCSS in 1988, DCS used the AFDC grant amount or Need Standard to set support when the parent's actual income was unknown.

If the noncustodial parent does not respond to the administrative notice, a default order will be entered. This means, of course, that some child support arrearages reflect default administrative orders based on imputed income that never reflected the parent's true income. One of the purposes of this research project is to ascertain what proportion of default administrative orders are based on imputed income.

Moreover, between September 1, 1973, and July 22, 1989, there was no statute of limitations on administrative orders, so these debts can remain on the books indefinitely. As of May 1999, DCS had 2,905 open cases with administrative orders dated in that period. These cases showed combined arrears of \$43,500,000. Ten cases had a debt of over \$100,000, while 211 had a debt

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<sup>1</sup> Internally within DCS, this research study was called the Special Collections project. The final report on the project is *Overcoming the Barriers to Collection*, June 1999. See especially the Executive Summary and chapters 3-5 for the prevalence of barriers to collection.

between \$50,000 and \$100,000. DCS had collected a total of \$16,600 on the cases.

## Possible Strategies

Potentially, several strategies could be adopted or combined to improve DCS performance on arrearages.

**Collect more arrears.** Obviously, this is the most direct answer. The more money applied to arrears, the less accumulates in the arrears column. The more cases on which payments are applied to arrears, the larger the numerator of the fraction for the arrears performance indicator. And if enough arrears are collected to close cases, the denominator shrinks as well.

But this strategy is not as simple as it sounds. If current support is owed, payments will be applied first to cover current support for that month. And, obviously, arrearages indicate that DCS was not able to collect enough money to cover current support earlier. Many noncustodial parents have multiple cases on which they owe support. Our previous research has shown that a large proportion of parents who make partial payments have multiple cases; the required algorithm splits the collections among the cases.

*Targets:* (1) Noncustodial parents (NCPs) who owe arrears only, either to the custodial parent or the state. Previous research has shown that DCS could substantially increase collections on subro-only cases by assigning specialized staff to work these cases. (2) NCPs who already pay. This means reviewing cases for possible modification of the payment amounts upward if the NCP's income has increased enough to pay more on the arrears. Modifications involve both line staff and claims officers and either administrative or court proceedings, depending on the circumstances. This is an expensive process.

**Collect more current support.** The more current support collected, the less accumulates in the arrears column, now and in the future. The more cases paid current, the fewer there are to inflate the denominator of the federal performance indicator.

*Targets:* (1) Noncustodial parents who do not make regular current support payments through wage or other automated withholding. This means collecting more from parents who work irregularly or under-the-table, or whose address and/or assets are in locate status. (2) NCPs who already pay. This means review for modification (see above).

**Negotiate lower payments toward arrears.** In some cases noncustodial parents might be encouraged to make more regular payments if DCS negotiated lower payments toward arrears. Encouraging smaller but regular payments might increase the total collected on arrears. But whether this happens or not, it might improve performance on the arrears incentive measure. The new federal performance indicator for arrears computes the percentage of cases that made a payment toward arrears out of the total number of cases on which

arrears were owed. (Unlike the indicator for current support, it does not look at percentages collected on the amount of arrears owed.)

Negotiating lower payments has at least two shortcomings. First, if lowering the schedule would risk losing some debt to the statute of limitations, the SEO must get the NCP to sign a waiver of the statute of limitations. Second, the opportunity for negotiations arises only under limited circumstances. To deal with this second problem, DCS might consider an experiment of targeting a number of parents and mailing them a letter offering such payment negotiations.

*Targets:* (1) Noncustodial parents who owe arrears and make sporadic payments; (2) NCPs who complain of the high payment schedule and DCS inflexibility; and (3) NCPs with multiple cases.

**Close unworkable cases promptly when they meet federal closure criteria.** Federal criteria remain very restrictive, but numbers of cases can be closed. Many have rather small debts, but while they are open, they still count as cases where DCS is not collecting on arrears due.

*Targets:* Most probable candidates for closure fall under two categories. (1) The NCP cannot pay support while the child is a minor because the NCP is institutionalized, incarcerated, or verified as totally, permanently disabled. Careful locate work would help identify more of such situations. Sometimes SEOs need to take more initiative in helping a disabled person with case closure (perhaps by contacting a caseworker). (2) The NCP owes no current support and arrears are less than \$500. Although such small-debt cases can be closed, DCS policy is to keep them open “if it is cost-effective” to collect the arrears.

**Reduce debts where reduction is legal, reasonable, and fair.** DCS has no realistic prospect of collecting the full amount of debt owed on many cases where the NCP has limited resources and the arrears are large. Reducing large debts (by writing off part or all of the amount) helps to deflate the enormous total arrearage. But reducing amounts owed on numerous smaller debts is perhaps more useful in terms of the specific federal performance indicator for arrears. When there is little collection potential and no current support, reducing the debt may bring the case within range for closure. Even when closure is not possible in the near term, reducing the debt can facilitate revised payment arrangements, allowing the NCP to make small monthly payments.

*Targets:* (1) Noncustodial parents with recurrent barriers to collection (incarceration, periods of public assistance, mental or physical illness, drug or alcohol abuse and treatment). (2) Noncustodial parents with multiple cases, especially when there is little prospect of any share of the payments reaching subro-only cases. (3) Cases with large debts accrued under default administrative orders, especially those not limited by a statute of limitations. (4) Cases with large arrears assigned to DSHS prior to October 1997, regardless of whether accrued under a court or administrative order.

Identifying noncustodial parents and cases to review for such debt reduction need not depend solely on tedious case reviews by line staff. Much of the basic work can be done by state office staff with a combination of reports generated by SEMS staff and MAPS extracts from the flatfile. Then field office supervisors and appropriately trained case-carrying SEOs can use the Decision Support System (DSS) to narrow the range of eligible NCPs and cases further. This leaves the responsible SEO (RSEO) with case review to make a final selection.

But once identified, how does debt reduction happen? Until now, most debt reductions have happened because the noncustodial parent requested it and a DCS conference board granted some relief by writing off some or all of the debt for hardship reasons. Even when the conference board is not physically convened, the process involves a parent's request, an SEO response with appropriate forms generated, updated debt calculations, notification of the custodial parent, review by the board members (SEOs and an attorney), and the time of the conference board chair (an attorney) to review and write a decision. As discussed below, some field offices are now adopting an ex parte conference board process so that they do not need to wait until an NCP requests relief. The field office itself can initiate the process. Even so, however, a conference board process is time consuming and not a large-scale remedy for debt reduction.

**Get support orders changed to reduce the monthly order amount (current support) and recalculate the debt where feasible.** When child support is set through an administrative order, DCS can work to change the amount through an administrative law judge's signature.

If a substantial change in the NCP's circumstances makes the order amount too high, DCS can work for modification of the order. Modification is not retrospective; that is, it only changes the current support amount due in the future. This does not remove existing debt but at least helps to prevent arrears from accumulating in the future.

Of more interest are the circumstances in which a default administrative order can be vacated. Here a new child support order is entered and the debt is recalculated. Given the large arrearages attributed to default orders, such an opportunity for revisiting old orders is potentially quite important.

### ***Perspectives on the Problem and the Strategies***

The strategies outlined above can be grouped under three broad perspectives. The first is simple and direct, so simple that it probably does not reflect any real individual's point of view. This perspective would frame the "arrearage problem" as simply the problem of improving that percentage used in the federal performance indicator. The numbers that matter are the count of cases that receive a monthly payment applied toward arrears and the count of cases on which arrears are owed. The first needs to grow, the second needs to decline, or, even better, both the numerator and denominator need to change in the desired directions.

The second and third perspectives are more complex. The second approach is to subsume the arrears issue under the general imperative to increase collections. This is a far more familiar and comfortable posture for DCS. The agency has a legal mandate to preserve debt, and it has implemented procedural safeguards to ensure that this requirement is not compromised. Moreover, child support staff (“support enforcement officers”) are bill collectors who strongly believe in their mission. This mission is “to improve the lives of children and benefit families and taxpayers by providing quality child support services in a fair and fiscally responsible manner.” Historically, the ethos of the child support agency has been that increasing collections is paramount. Increasing collections will provide more current support for children and, incidentally, will both reduce the total amount of arrears owed and help to prevent arrears from accumulating in the future.

Federal welfare reform legislation also emphasized increasing collections. Three required collection remedies in particular gave new enforcement power: the Financial Institution Data Match Program, the National Directory of New Hires, and license restrictions. Current initiatives arising out of welfare reform emphasize improving collections on particular types of cases—i.e., current assistance (TANF) and former assistance cases. Federal and state administrations are heavily focused on getting families off welfare and keeping them off by ensuring that both parents work and child support is paid. Because arrears are owed on most of these cases, a successful campaign will increase payments on arrears, or at least increase the number of these cases making payments on arrears.

The third perspective is far more uncomfortable. This looks at the enormous dollar amount of child support arrears and asks, how much of this debt should the agency try to write off? What part of it should we expect to remove by collecting the money and what part should we remove by erasing the debt? To be sure, this question has been asked already in regard to many individual cases. For example, conference boards regularly write-off part or all of the debt of noncustodial parents because of hardship. But this is different from a systematic perspective on the total child support arrearage.

The third perspective is concerned about collectibility. Rather than assume that if a debt exists, DCS should continue to pursue collection, at least on a token basis, the third perspective assumes that if the debt isn’t realistically collectible, DCS should try to get rid of the debt.

At least two views can be distinguished under the third perspective. One view asserts that government agencies, like private businesses, require procedures for writing off bad debt. This has little to do with the fairness or appropriateness of the debt itself. It is simply true that businesses have to have procedures for writing off debt in a timely manner in order to remain cost effective and competitive. Government agencies need to face this problem, even though law and policy handicap their efforts to address it.<sup>2</sup>

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<sup>2</sup> This seems to be one implication of a GAO report on the IRS (AIMD-99-12, Oct. 29, 1998, *Internal Revenue Service: Composition and Collectibility of Unpaid Assessments*).

Another view has concerns about the composition of that debt and DCS's role in determining the payment obligation that led to the debt. This concern arises from the significant proportion of child support debts based on default administrative orders. Such debts based on default administrative orders are troubling because of the likelihood that the support order amount was never realistic given the parent's true income.

### **The Impact of DCS Programs on Arrears Collections**

The period since the passage of federal welfare and child support reform legislation has been challenging for DCS. It has brought new reporting requirements that necessitate computer programming changes, understanding new reporting categories, changes in cash distribution, new requirements for working with employer and community groups and with IV-A counterparts in Welfare-to-Work (WtW) projects, and the implementation of FIDM, license suspension, and other programs.

Pressures from state government have presented challenges at the same time. As welfare caseload levels dropped, the state legislature has sought to reduce staff levels in DSHS as well. The governor and administration required regulatory reform and new accountability measures. In fall 1999 Washington voters passed Initiative 695, which limited vehicle license fees and thereby drastically reduced funds for transportation, local government and other programs that now mean more staff reductions in DSHS and other state agencies.

DCS, then, has responded to a number of diverse challenges. Improving performance on the federal performance measure for arrears is only one of these efforts. In this interim report we are appraising DCS initiatives from the point of view of their impact on one performance measure. This is not necessarily the reason for the initiative or the best perspective on its success. Imposing this particular lens, however, can provide useful insights on the side effects of a policy.

### ***Implementing Federal Program Requirements***

As mentioned earlier, welfare reform included some new enforcement tools. Three in particular could have a broad impact on arrears collection.

**Financial Institution Data Match Program (FIDM).** In Washington, as in other states, this is a recent start-up program. Nevertheless, the FIDM is generating significant amounts of money. DCS has now signed contracts with about 89 percent of the identified in-state financial institutions. DCS participates in the multi-state matches conducted by the federal government as well, a process that is still incomplete. The amount of monthly collections continues to grow. In December 1999 FIDM generated \$201,344; in February 2000, \$429,489; in April, \$522,945.



Much of the essential work for FIDM is conducted by state office program and computer staff. But once the review code is generated indicating a match between an NCP and a bank account, the SEO must review the case, decide whether the account is likely to be worth a "hit," generate the OWD, and deal with any subsequent protests from the NCP or an attorney. In recent months state office staff have traveled to field offices training field staff on the use of this program.

By comparison with most other tools for collecting arrears on delinquent cases, the FIDM appears to offer much more money for considerably less field staff effort. Moreover, the FIDM has identified some nonpaying parents with large bank accounts, attaching amounts well over \$30,000 in several instances. It appears effective at finding parents who really can pay off sizeable child support arrears.

**New Hire Reporting.** Washington already had an effective Employer Reporting Program prior to the new federal program, but the new program covers more employers. Unfortunately, DCS lacks a process for measuring the collections generated by this program; SEMS staff are developing a tracking system for this purpose. Previous experience with Employer Reporting indicated that the program's contribution was to locate noncustodial parents who changed jobs frequently or had seasonal employment.

**License Suspension Program.** This program has been available to DCS for several years. But in the past year the procedure has been simplified, and DCS management has emphasized the program's availability. State office staff were sent to field offices to teach field staff how to use license suspension effectively.

DCS Field Operations recently examined usage of the program by tracking its use by each field office over eight months, beginning in June 1999. Their review looked at use of the three major legal notices for the process as well as the number of staff (SEO2 and SEO3 level) using the program. Every field office had increased use of license suspension tools (some more than others), adding up to a sharp increase over a period of months. In August 1999 35 percent of the case-carrying field staff (SEO2s and SEO3s) used the program, while in January 2000 61.4 percent initiated at least one of the notices.

For example, the major legal notice sent to noncustodial parents for the program is the *Notice of Noncompliance and Intent to Suspend Licenses*, DSHS 09-851. In June 1999 DCS field offices sent the DSHS 09-851 to 427 noncustodial parents. By comparison, in January 2000 they sent this notice to 825 parents, bringing the total to 4,543 over the eight months. The next notice in the process, *License Suspension Certification*, DSHS 09-852, is sent to the license agency if the NCP does not respond adequately. Use of the 09-852 increased from 119 in June 1999 to 198 in January 2000, for an eight-month total of 1,184. If the NCP responds by paying the debt in full or entering into a payment agreement and making the first payment, DCS sends the *License Suspension Cancellation Notice* to the license agency. In June 1999 DCS sent 51 of the DSHS 09-853 cancellations; in January 2000 the number had grown to 71, for a total of 576.

A report on the amount collected via License Suspension is due in October 2000, but an estimate is not currently available. However, the noncustodial parents reached by license suspension are mainly self-employed individuals (carpenters, truck drivers, etc.).

### ***DCS Participation in Welfare-to-Work Projects***

DCS field office reports of WtW projects (called WorkFirst in Washington) often reveal innovative cooperative work with CSOs, the Employment Security Department, employer groups, and local area planning committees. These new relationships are giving CSO and DCS staff—all within DSHS—improved understanding of each other's role. They also provide the basis for more effective cooperation among local government and private groups in helping low income parents.

So far as DCS participation is concerned, such projects may be viewed as examples of specialized collection work aimed at noncustodial parents with barriers to collection.<sup>3</sup> (A particularly creative example is described below.) Ultimately such projects may be useful in improving the percentage of parents paying support. In the short run, however, they require intensive work for the amount collected. Thus far, field reports show that some DCS field office staff are spending much time and effort to bring a rather small number of noncustodial parents into the ranks of regular payers.<sup>4</sup> Money collected from these parents will mainly be applied toward current support.

From the point of view of *arrears collected*, or even the *percentage of cases paying toward arrears*, these efforts will show little immediate impact. Potentially, however, this work may have a more substantial impact on the arrearage problem by *correcting support orders and reducing debts*. Reevaluating the debt on even a rather small number of cases with large arrearages can have a significant impact on a field office's outstanding receivables.<sup>5</sup>

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<sup>3</sup> Field offices report that the narrow eligibility requirements exclude many of the NCPs screened for WtW. Broadening eligibility (scheduled for later this year) may improve the picture.

<sup>4</sup> For example, the Everett field office's report on cumulative WorkFirst NCP referrals through the end of February 2000 shows that initial WorkFirst letters were mailed to 374 NCPs who are still in the referral project. Of those, 46 NCPs are paying following receipt of the letter, 15 contacted PIC agencies, 13 enrolled in job readiness programs, and 89 have been referred for contempt. Some other field offices report much smaller numbers.

<sup>5</sup> Consider, for example, Olympia's report for December 1999 on the WtW project with the work release facility, A Beginning Alliance: "There was no change in the number of enrollees during December. Twenty-five work release inmates have been referred to DCS from A Beginning Alliance. We still have 7 people enrolled from this project with two people currently working and paying child support for a total of \$150 collected in December. This is down 50% in numbers and 900% in dollars from November. One of the previous payers is now on UC [unemployment compensation] and a withhold has been sent. The other returned to prison. Of the 23 referred, 6 have returned to prison.

In turn, these time-consuming reviews and meetings with noncustodial parents *may*, precisely by reducing debts, encourage future cooperation and payment of support. But the emphasis here is on “may.”<sup>6</sup> Field office reports indicate many factors influence the process of getting an NCP referred, trained, hired, and once hired, steadily employed and regularly paying child support. Although important, it will require much ingenuity for DCS Field Operations to track and determine the relative impact of multiple factors, including order and debt correction, in producing employed noncustodial parents who pay child support.

### ***Current Support versus Arrears: Encountering the Boomerang***

DCS efforts to implement these federally required programs illustrate the dilemma that results from balancing federal requirements, federal performance measures, and state requirements.

As discussed above, most recent initiatives focus on increasing payment of current support. This focus of course serves several purposes. If the noncustodial parent pays all of current support, arrears will not accrue. Payment of current support is a key element in welfare reform. Regular payment of current support will help to give families income needed to get them off TANF, as well as keep them off public assistance.

Some recent efforts incorporate negotiations for temporarily lowered current support amounts to help noncustodial parents start paying regularly. The License Suspension program provides a Graduated Payment Agreement that can be used when DCS has taken license suspension action against the noncustodial parent. This allows the NCP to begin paying current support at a lower amount. The agreement contains a payment schedule that sets dates for increasing the amount of current support paid and gradually adding payments toward arrears.

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One of the payments received this month represents the first payment ever made on a debt of \$120,000 owed under two orders. An agreed settlement is pending that will reduce the arrears accrued under the administrative order from \$80,000 to \$3,700. The other person who is paying owed \$19,000 under an administrative order. Upon review, the arrears were reduced to \$3,444.92 and the MOA [monthly order amount, current support] went from \$328 to \$50.”

<sup>6</sup> Field Operations in DCS state office queried field offices about their experience in NCP Welfare to Work referrals. Numerous barriers to participation were listed. At least two field offices cited “very large arrearages and/or current support orders” as discouraging some NCPs from participating. When debts seem hopelessly large (“arrears they can never pay”), it can be difficult to motivate a parent to persist in job training and facing other employment obstacles. Another field office described their process for working with the job intake counselor and the NCP to maintain the latter’s motivation: “Try to ease them into regular payments, starting out low, and above all avoid the devastating 50% withhold.” Although this may be valuable as a temporary measure, ultimately the payments must go up unless the order or the accumulated debt is addressed.

As part of welfare reform, DCS partners with several agencies and organizations to help noncustodial parents find jobs and pay child support. Here the focus is on non-paying parents who have been on public assistance or in prison. When referring NCPs to work-readiness programs, both WorkFirst (with DSHS) and Employment Security Department require NCPs to arrange child support payments with DCS. Cooperation is a condition of participation in these programs.<sup>7</sup>

In August 1999 DCS began entering payment agreements with NCPs participating in work-readiness programs. In these agreements the NCP begins paying a regular amount that is less than current support. This amount gradually increases, so that the NCP eventually is paying current support and something toward arrears. (When such an agreement is signed, DCS also sends notice to the custodial parent. A custodial parent who objects, even after DCS explains the advantages, can request a conference board [an informal DCS hearing], or initiate a contempt action.)

These temporary reductions in current payment amounts do not alter the official monthly order amount (MOA) required by the child support order. The uncollected portion of the MOA continues to accrue as arrears. The agreement does not reduce the total potential child support obligation or the accumulated arrears. It is purely a temporary lowering of the amount that would otherwise be withheld from wages.

The advantage of the temporary arrangement for the noncustodial parent is that it makes compliance with both requirements possible, so that the NCP can retrieve the suspended license or participate in job training and still pay child support, without the hardship that a full withhold would bring. For DCS (and the family) the advantages are that (1) some support is paid now, rather than none, and (2) the long-term prospects for collecting regular support may improve. Job training should help the noncustodial parent remain independent, employed, and out of prison, and therefore able to pay. By drawing the NCP in through agreement to a routine of timely payment and communication with DCS, the agency hopes to establish the NCP as a regular payer of child support. Moreover, some previous experience indicates that willingness to negotiate and be flexible will improve DCS collections on delinquent cases.<sup>8</sup>

Efforts to encourage more noncustodial parents to pay by negotiating smaller monthly amounts probably will also improve payment statistics. But such short-term fixes often come with a long-term cost for both the noncustodial parent and DCS. In return for accepting smaller monthly payments, DCS often

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<sup>7</sup> Qualifying job-training programs include Welfare to Work, Partnerships in Commerce, and Community Jobs.

<sup>8</sup> This was the experience of Special Collection Unit staff, who recommended that staff learn negotiation skills in dealing with delinquent payers. Field staff insistence that NCPs pay the full monthly current support with a contribution toward arrears seemed to discourage the NCP from paying anything or from communicating with DCS. *Overcoming the Barriers to Collection*, pp. 13-14, 130.

requires the parent to sign a waiver of the statute of limitations. (If the lowered payment means that the SOL would probably expire before the NCP paid off the total amount, the SEO will ask the NCP to sign a waiver.) This means that both the parent and the agency may be burdened forever with those arrears tarnishing the record.

To put this another way, let us look at the impact on two federal performance indicators: proportion paid toward amount of current support due (#3), and percentage paying toward arrears (#4). If the reduced monthly payment enables more noncustodial parents to make regular payments toward current support, the numerator for indicator #3 is enlarged, which is desirable. For the time being, indicator #4 does not seem to be affected, because the NCP was not making payments toward arrears anyway.

But this is a gamble. The NCP's monthly payments will increase until all of current support is covered and gradually payments toward arrears will be added. If the parent eventually can make larger payments and the arrears are a limited amount, the debt may be paid off eventually as well. But if the arrears are large and the noncustodial parent never has the income to increase the payment substantially, both the parent and the agency are stuck. The action that helped the numerator for performance indicator #3 in the short term has in fact worsened the denominator for performance indicator #4 in the long term.

An advantage of negotiating temporarily lowered payments for both the NCP and DCS is that such agreements can be implemented quickly. By comparison, other solutions take more time and are not always relevant.

Certainly, where other tools are available, they are preferable. For example, if the order is too high, staff can help the NCP request a review and modification to lower future support. If the order was always too high, staff can encourage the NCP to request a late hearing, or try to vacate a default order. In other situations, staff may suggest that the NCP request a conference board to reduce the debt on grounds of hardship.

But such solutions are not always available and do not help a noncustodial parent in a hurry to undo license suspension or gain access to job training. And the quicker solution may saddle both the parent and the agency with an unlimited SOL on the debt.

## **DCS Initiatives**

### ***DCS Most Wanted Internet Site***

In addition to implementing the federally required programs outlined above, DCS introduced another program encouraged by the federal government. This program has been popular in other states and with segments of the public. The DCS Most Wanted Internet site began in February 1999. The interim

notice announcing its introduction described the site as “a tool to help locate noncustodial parents who are hard to find, and to provide incentive for noncustodial parents who are avoiding paying their support obligations.”

To consider an NCP for posting, DCS must receive a signed application and consent form from the custodial parent, as well as a photograph of the NCP. If the NCP has other cases, the other custodial parents must also consent to the posting (in case of concerns about domestic violence or unwanted publicity for the children). Either the NCP must be seriously delinquent (minimum of \$10,000 on the cases for which the custodial parent has consented to posting, with no payments in six months, excluding IRS offsets); or DCS has been unable to locate the NCP for at least a year. DCS will not post cases if the NCP is receiving public assistance or SSI or is incarcerated.

Before posting, DCS mails a warning letter to the NCP's last-known address, allowing the NCP three weeks to respond. To avoid being posted, the NCP must contact DCS and either pay the debt in full, or comply with a repayment agreement, or provide an address and employment information if the posting is for locate reasons.

The site itself contains photographs along with information about the NCP, the number of children, and support owed. People viewing the site can e-mail information to DCS. An electronic form allows anonymous submission of information. DCS also provides a toll-free phone number. The site contains links to other states' Most Wanted sites, to the DCS homepage, and one that allows the custodial parent to download an application/consent form.

In the nature of things, it is impossible to determine whether any parents contact DCS out of fear that someday they may find their pictures on the site. Such programs have been widely advertised nationally, and some individuals may find this a reason to pay. However, if we look at the number of NCPs who have been located or paid as a result of posting on Washington's site, we find few results. Thus far 183 cases have been posted to the site. No NCP has been located via this method, and little money has been collected. Despite the popularity of the concept with the media and public, there is no measurable evidence of its effectiveness.

### ***Revisiting Administrative Orders and Correcting the Debt***

The purpose of this review is to assess the relevance of recent state office initiatives to the problem of improving DCS performance on arrears. From this perspective the most important initiatives we found are aimed at correcting the debt.

In April 1999 DCS published an interim notice, CN-180, called *Revisiting Default Orders that Set Support Obligations*. This CN announced a policy change aimed at making it easier and faster for DCS to help a noncustodial parent get a hearing on the merits of a case when DCS knows the order is inaccurate. The CN gives SEOs the authority to stipulate to good cause—authority previously limited to claims officers.

If a party petitions for a late hearing on an administrative obligation or petitions to vacate a default order, DCS policy is to stipulate to good cause for such petitions in a wide array of circumstances. The stated purpose of this policy of broadly defining good cause is so that more NCPs can have a chance to obtain accurate orders.

Reasons for good cause include: mistake; inadvertence; “excusable neglect”; surprise; irregularity in obtaining an order; fraud, misrepresentation, or other misconduct of another party; and “unavoidable casualty or misfortune that prevented a party from responding.” CN-180 provides this example of “excusable neglect”:

The NCP is an alcoholic. DCS served the NCP a Notice and Finding of Financial Responsibility [a notice used to establish administrative orders] while the NCP was on an alcohol and drug binge. Shortly after service, the NCP was arrested, incarcerated, and did not respond to the NFFR. The NCP has good cause for a late hearing on the notice.<sup>9</sup>

CN-180 extends authority to the SEO to stipulate to good cause so long as the custodial parent concurs and the case circumstances meet both criteria (1) and (2) and either (3) or (4) below.

- (1) The order is inaccurate.
- (2) The order is based on a default administrative order. This happened because the NCP did not file an objection to the notice or the NCP filed an objection but did not appear at the hearing.
- (3) The order entered was based on one of the following:
  - (a) Imputed median net income;
  - (b) Imputed income, when the NCP was incarcerated, on an AFDC/TANF/ or GAU grant; or receiving SSI;
  - (c) The grant amount;
  - (d) The need standard amount (based on the family’s need).
- (4) The order was entered when the NCP suffered from a limited ability to respond, such as:
  - (a) mental illness or incapacity;
  - (b) limited ability to read the notice because of language limitations, illiteracy, or blindness;
  - (c) developmental disability;
  - (d) severe drug and/or alcohol abuse.

The SEO can then fill out the appropriate form (*Agreed Settlement/Consent Order*, DSHS 09-279) if parties agree to good cause and the terms.

If the custodial parent does not agree to the stipulation, the SEO is instructed not to stipulate but also not to oppose the NCP’s motion to the ALJ to find good cause. Even if all parties stipulate to good cause, the Administrative Law

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<sup>9</sup> CN-180: *Revisiting Default Orders that Set Support Obligations* (April 26, 1999), page III-2.

Judge (ALJ) makes the final determination of good cause. If the ALJ does not find good cause, the ALJ might treat the petition as a petition for modification (which could address future obligations though not arrears). Or the NCP could ask for a conference board to write-off debt for hardship.

CN-180 is important for at least four reasons. First, it gives SEOs authority so that action can be taken more rapidly than if it were reserved for claims officers. Second, it outlines very broad circumstances for good cause and emphasizes that DCS policy is to give parties “every chance possible to obtain an accurate order.” This is very different from the narrowly legalistic opinion sometimes encountered that “it’s the AP’s own problem for ignoring the notice in the first place.” Third, CN-180 explicitly states that accuracy is a high priority considering the position of all parties. By comparison, accuracy is sometimes treated more narrowly as the concern that orders need modification upward to reflect changes in income and expenses. Finally, CN-180 ties this policy to the changed federal performance measures.

If an order is inaccurate and too high, this does not help the NCP, who may be unable to pay, and may be reluctant to pay anything, or cooperate with DCS. This, of course, also does not help the CP or the child. If the order is inaccurate and too low, it does not help the CP or the child, either. DCS’s job is to ensure that orders are accurate. . . . DCS should be proactive and facilitate getting the order “fixed” so that it accurately reflects the financial abilities of the parties. In the long run, this helps not only the parties, and the child, it also helps with our federal incentives since we are now measured by the amount of dollars collected versus dollars owed.

The weakness of the policy, of course, is that it still depends on the NCP to initiate the action through petition. Other than stating that DCS should be “proactive” in correcting administrative orders, the CN does not provide a way for the SEO to initiate action or suggest a systematic review process.

### ***Delegating Decision Making on Conference Board Issues***

The Conference Board unit in DCS state office has developed a proposal to delegate some decision making authority to field offices. The proposal is outlined in a CN draft presently under technical edit and not yet officially circulated for staff comment. This proposal actually grew out of the recommendations of a 1995 DCS work group, but present circumstances make the solution it offers more attractive than five years ago.

The proposal is intended to resolve a bottleneck by reducing the number of issues that require conference boards. The proposal would allow certain field staff to decide on lump-sum settlements, write off DSHS debts, release collection actions, and return IRS tax refunds. In cases when relief is not clearly justified, the normal conference board process would be used. Also, if a party objects to a field office decision, staff would still use the conference board process.



Obviously, DCS authority to decide such issues is limited to debt assigned to DSHS. For example, in negotiating over a lump-sum settlement offer, DCS cannot compromise debt owed to the custodial parent, another state, or temporarily assigned to DSHS. (Either the offer has to pay off all other arrears, or the third party consents in writing to accept less than the full amount.)

The field office administrator (RA or DA) would designate at least one claims officer per office to review and approve offers of settlement for less than the full amount owed, requests for write off, and return of tax refunds. Claims officer approval would be required to place authority outside the enforcement-unit chain of command. This meets legal requirements for separation of function to meet due process and audit requirements. The RA/DA would also designate which employees and job classes have the authority to release collection actions or decertify cases from IRS offset.

The draft CN suggests several advantages of the increased field authority. For parents it will “provide earlier relief for many parents who suffer hardship or injustice.” For the Conference Board unit, it will reduce caseloads, allowing the unit “to address caseload growth in other areas without adding staff.” It will provide field offices and line staff “additional tools for reaching agreement with parents.” It will “facilitate lump-sum settlements, which increase collections.” For the agency it will help meet goals of increasing the collection percentage, “making sure that support orders are accurate,” and “resolving issues at the first possible level.”

If implemented, then, the proposal would help DCS in several ways. Enhancing negotiation tools, streamlining dispute resolution, improving collections and promptly reducing debt where appropriate are obviously desirable.

Given the budget crunch and the requirement to reduce staff, a proposal to relieve Conference Board pressures is attractive. Conference Board requests continue to grow, but the ability to add more claims officers as Conference Board chairs have not grown. How much impact would this proposal have on the field office staff workload and on field claims officers? The added negotiation tools may aid collections, but managing the tool efficiently becomes a question for the field office.

This highlights an underlying problem. To improve performance, DCS needs to ensure accurate orders, reduce debt in cases of hardship, and recalculate debts when obligations were obviously set too high. These are staff-intensive actions, made even more expensive and time consuming when an attorney’s time is required. Allowing SEOs more authority and the incentive to conduct such actions to increase their collections through negotiation may reduce the expensive time needed. But how much can this help without a more automated process?

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***Other State Office Initiatives***

In the face of its challenges, DCS has undertaken a number of new initiatives, some at cross purposes with the goal of improving arrears performance. The habit of seeking to maximize and preserve the potential debt in order to increase collections dies hard.

For example, one initiative was to reexamine a group of old assistance cases closed as uncollectible. The idea was that DCS needs to increase collections on cases where the family is or has been on public assistance; therefore let us reopen closed cases so we have more noncustodial parents to collect from. Closing cases under federal law is excruciatingly difficult; yet field staff had closed these as hopeless. Researching these old cases required valuable staff resources. If the case were reopened, the debt would be resurrected, thereby inflating the total arrears uncollected by DCS. With such a group of cases, the chances of sizable collections are surely small compared with the surety of enlarging the total debt.

During fall 1999, DCS legal and policy staff vigorously debated a proposed change in the policy and procedure for calculating debts. The proposal appeared in a draft interim notice (canary notice) called "Standardizing Debt Calculations." It was couched as a recommendation to enhance efficiency by reducing the valuable staff time support enforcement officers spend on doing debt calculations.

The issue of standardizing such calculations was important initially to a quality improvement team concerned about improving SEO efficiency. There has been for years a computer debt calculation program available for staff to use. However, the software program does not incorporate alternatives for various periods when statutes of limitation on debts are involved. The SEMS unit has declined to build a more complex program. Consequently, when SEOs need to update a debt calculation on old cases where some debt could be lost to the statute, tedious hand calculations are required, which then must be officially entered by the SEO as a case comment on SEMS.

Since July 23, 1989, there has been a consistent statute of limitations (SOL) on Washington court and administrative orders (ten years after the youngest child named in the order emancipates). But for Washington court orders, different statutes of limitation apply for orders entered before July 1, 1974, and for orders entered between that date and July 22, 1989. For Washington administrative orders entered before September 1, 1973, child support amounts are uncollectible, while, on the other hand, for orders entered between September 1, 1973 and July 22, 1989, there is no SOL. And for foreign orders, UIFSA and Full Faith and Credit provisions allow the enforcing state to choose the longest SOL that applies—either the order state's or the enforcing state's. The concern about SEO time is certainly understandable.

Despite the title, the solution proposed was to disregard the statute of limitations unless the noncustodial parent protested. This represents a change in the settled policy of the agency from its founding. Once staff realized the

issue, an intense debate ensued. Legal staff debated whether the statute of limitations required an affirmative defense (as claimed by the drafters) or was simply a matter of positive law. Legal and policy staff debated whether the change of policy raised constitutional equal protection and fairness issues. Some thought such a policy would soon bring a class action suit and ultimately would be more expensive than the time SEOs spend calculating debts.

However, the debaters did not raise another financial issue; i.e., the potential cost in federal incentive payments. Washington State has one of the longer statutes of limitation for child support in the United States. In effect, this policy change would inflate the total accumulated arrears by ignoring the SOL that would remove the debt from the total. Cases on which the statute of limitations is at issue are cases that have dragged on a long time because DCS could not collect the debt. These are not cases with a high likelihood of payments. Ignoring the statute of limitations would tend to enlarge the denominator in the federal incentive indicator while the numerator remained flat.

In this debate no one publicly argued that having no statute of limitations on debt would be a good thing because it would inflate the number of cases on which DCS could potentially collect. Instead the argument was that in the presence of so many different statutes for different time periods and order types, it is too costly for the SEO to do careful calculations. Nevertheless, the argument only makes sense in light of a background assumption that longer time periods and larger debts give DCS opportunity to collect more. This background assumption sees a statute of limitations as a limit on the opportunity to collect rather than a helpful tool in getting rid of bad debts.

The period for commenting on the draft CN ended in mid-December 1999. In late April 2000, the publications unit announced that, because record numbers of staff commented and objected to the proposed change, DCS has decided to continue the existing policy of applying the SOL to cases without a party's request.

## **Local Initiatives**

During the past quarter we surveyed field offices, with assistance of a headquarters staff member in Field Operations, to see what initiatives they had underway to improve collections on arrears. We asked whether they had field office strategic or operational plans that (a) proposed new tactics of improving collections on arrearages or (b) proposed reviewing arrearages to see if they should be charged off because of hardship or dubious accuracy of the order. We also asked whether they had teams or workgroups targeting arrears-only cases or trying negotiations or reduced payments on debts. In addition to this survey, we regularly review monthly field office reports for additional information.

Virtually any effort to increase collections can be viewed as helping to improve the percentage of cases paying toward arrears. But field offices have

emphasized a few programs particularly as part of their plan to improve performance in collecting arrears.

### ***Contempt referrals***

This is not a new remedy, but two uses of it are receiving more attention. As part of their WtW [Welfare-to-Work] projects, field offices are using contempt referrals and contempt diversion as tools to get eligible noncustodial parents engaged in job search and skills enhancement programs. Typically, the NCPs get a letter first urging them to pay child support or sign up voluntarily for WtW programs. If the NCP does not respond, the contempt referral follows. For example, the Yakima field office cooperates with two county prosecutors' offices, the Yakima County Department of Employment and Training, and Private Industry Council staff in a contempt diversion program called SHARE. The Olympia, Wenatchee, and Vancouver field offices have somewhat similar programs in place. Such efforts require local agreements with county prosecutors. They also can require intensive work and affect a relatively small number of noncustodial parents.

A second emphasis is using criminal rather than civil contempt remedies. Some prosecutors have concluded that noncustodial parents are too likely to ignore threats of civil contempt. King County, Clark County, and now Thurston County are filing criminal contempt charges for nonpayment of child support in some instances. King County is Washington's most populous county. The Seattle field office has in place a vigorous and highly visible cooperative effort with King County's prosecutor and sheriff to enforce payment of child support.

In February 1999, the King County sheriff's office formed a Special Support Enforcement Unit (SSEU). The unit uses a combination of DCS locate tools and law enforcement intelligence data to conduct locate work on warrants cases. In addition to reducing the backlog of warrants, the unit provides service of process in some difficult situations. By March 2000 the unit had cleared hundreds of warrants.<sup>10</sup>

### ***Outreach to Prisoners***

While, on the one hand, DCS and the prosecutors attempt to use the threat of jail as an aid to enforcing child support, on the other hand, the past and

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<sup>10</sup> When staff were looking up Department of Corrections records during the Special Collection project, they were surprised at the high number of persons for whom there were outstanding bench warrants for various offenses. Law enforcement agencies often lack resources to locate persons accused of relatively minor offenses who fail to turn up for hearings, etc. It is pointless to refer nonpaying parents for criminal contempt unless effective enforcement is available. Hence the SSEU's work is extremely important in this heavily populated and diverse county. The sheriff's office is also discussing development of a work release program that would allow some county jail inmates to find jobs, gain skills, and pay child support.

present incarceration of many NCPs is a serious impediment to collection of child support. This was one of the major barriers to collection identified in the research project on hard-to-work cases.<sup>11</sup>

Some DCS offices have undertaken work with inmates as part of their WtW projects. For example, the Olympia field office works with Olympia's State Work Release Facility, A Beginning Alliance, as well as with drug court participants. Persons eligible for WtW who owe child support are referred to DCS. Staff work with the referred NCPs to set up child support payment plans and where appropriate, to get debts reduced and orders modified.

One of the outgrowths of the new cooperation between Employment Security and DCS is a regional Criminal Justice Project that now includes Olympia, Seattle, and Tacoma field office staff. DCS state office has also participated by providing training and some staff. This project works with inmates/participants at the Work Ethic Program on McNeil Island and the Tacoma Pre-Release facility. Since August 1999 these field offices have been partnering with Employment Security, Corrections Clearinghouse, the Department of Corrections, the Private Industry Councils, and the Division of Alcohol and Substance Abuse to address child support concerns and provide employment opportunities for these inmates. Through April 2000 about 150 inmates had been served.

DCS representatives from the three field offices and state office make monthly visits to the facilities. Interested inmates are screened for WtW program eligibility. The DCS staff present information about DCS, then meet individually with inmates to discuss their child support cases. The representatives try to identify orders needing modification or debts that should be adjusted through the conference board or hearing process. If a case needs service, they get necessary documents from the RSEO and accomplish that task as well.

The cooperative project described above came about in part through separate initiatives of Employment Security Department employees and DCS staff all doing outreach to inmates, but the partners are many in this Welfare-to-Work program. This is chiefly an example of creative work and responsive cooperation at the local and regional level among staff of several agencies and organizations.

State office employees, including DCS headquarters staff, responded and supported this initiative. Their participation has contributed new ideas as well.

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<sup>11</sup> This problem was identified in successive progress reports beginning in 1997. The final report noted the large proportion of noncustodial parents with corrections histories (at least 30.6 percent of the treatment group). At least 12 percent were currently incarcerated during the project. The report stated that DCS needed to do outreach to pre-release facilities and to find other ways to identify inmates more quickly. Project collection staff recommended that DCS work with incarcerated noncustodial parents "in a cooperative manner for agreeable collections, possible modifications of the support orders, and most importantly [to] develop win-win situations."

For example, as a result of discussions with counselors at McNeil Island, a DCS claims officer has drafted a brochure for prisoners, which is now being reviewed. Entitled "Dealing with Child Support Issues when You Are Incarcerated," the draft is written in a simple conversational mode. It emphasizes the importance of contacting DCS and not simply letting a debt accumulate, the ways of getting an order modified, the services that DCS can provide. Written as a service to inmates, it also obviously recognizes the importance for the agency of not letting debts accumulate on inaccurate orders.

### ***Tacoma: Increasing Collections by Using the Telephone***

The Tacoma field office conducted a time-limited (about 6 months) experiment to see whether staff with recent private collection expertise could improve collections on a group of hard-to-collect cases. Two Special Hire collectors were recruited for Tacoma's Special Collections Project. A stated purpose of the project was "to determine whether the locate skills already available within DCS could be widened and possibly developed in new areas."

Project reviewers indeed discovered a large difference in emphasis between the special collectors and regular SEOs. The mindset of the outside hires was phones versus paperwork, while Tacoma SEOs tended to maintain the opposite logic (paperwork generation versus phones). Those hired from the private arena were accustomed to making about 120 phone calls a day as part of their workload. They relied heavily upon the telephone as well as more detailed locate approaches gleaned from credit bureau reports. Of the dollars collected, 71 percent resulted from phone contacts made with the noncustodial parent.

One of the Special Hires subsequently was hired as a regular case-carrying SEO in the field office. Tacoma plans an increased emphasis on telephone contacts to improve collections.

### ***Seattle's Recommendations: A Two-Pronged Attack***

The Seattle field office commissioned a Quality Improvement Team [QIT] on Collections to review Seattle's enforcement process for efficiency and effectiveness. The QITs recently issued report recommended changes in two areas. Essentially, the team's recommendations include one aimed at the numerator and one aimed at the denominator of the arrears performance indicator.

One recommendation was aimed at saving time and encouraging SEOs to use the full range of locate and collection tools available. It proposed a central collection site on Seattle's Intranet home page that would provide a quick checklist of tools available, links to forms, and one-page instructions for specialized enforcement tools.

The second area identified was to decrease debt by closing unworkable cases. The QIT recommended that Seattle undertake a project to identify unworkable subro-only cases with debts under \$500 and close as many of them as possible. As part of its work process, the team reviewed two separate lists of cases

identified as possibly meeting the criteria. The smaller list, provided by MAPS through screening of a flatfile, consisted of 627 IV-D subro-only cases with debts under \$500. After review, the team determined that about 36 percent of those cases were unworkable and could be closed. The team developed a second, larger list from the DSS with less restrictive criteria. The team determined that almost 16 percent of the cases were unworkable IV-D subro-only cases that could be closed.

### ***Tribal Relations: Correcting the Debt on Default Administrative Orders***

Some DCS units have conducted systematic reviews of cases with large arrearages based on administrative default orders. In their strategic plan, DCS Tribal Relations included provisions to review cases involving tribal members that were based on default administrative orders. As part of the Equitable Order Project, tribal staff in each field office have conducted reviews of cases involving tribal members that were based on default administrative orders and carried significant arrearages.

For example, the Tribal Unit for Region 1 (Spokane and Wenatchee) field offices undertook this Equitable Order Project starting in late 1998. The goal was to make contact with noncustodial parents who had large arrearages based on administrative default orders and seek to “correct” the debt to reflect the NCP’s actual income during the period. The project began in anticipation of CN-180. The unit intended to utilize conference board charge-off capabilities where appropriate. The unit’s purpose was not only to reduce the debt ratio but also to “make a tangible demonstration of DCS good will and integrity in the community.” Staff postulated that an NCP who “feels a support order is fair is more likely to make payments,” thus increasing the number of paying cases.

Staff identified potential cases for review within the tribal caseload through the Decision Support System. They mailed invitational letters to 58 NCPs from January 1999 through January 2000. They received 13 responses, resulting in 9 agreed orders thus far with 5 newly paying cases. By the end of March 2000, the total debt reduction was \$241,610.39. Presently unit staff are reviewing their project, discussing with the region’s tribal representatives ways to increase the response rate.

Tribal units in all six regions have conducted similar reviews as part of the Equitable Order Project. Unfortunately, complete data are not available for all of the regions, but by the end of March 2000 the total debt reduction for five regions was \$1,951,853.44. Of that amount, \$1,022,446.95 came from Region 2 (Yakima and Kennewick offices) as a result of adjusting 63 orders.

These results, although incomplete, show that debt reduction amounts can be substantial even on a rather small number of cases. But, as Region 1’s experience shows, thus far it is not at all clear whether the project will achieve its larger purposes. Only a small proportion of the eligible tribal noncustodial parents responded to the invitation. Whether those parents will convince larger numbers of DCS “good will and integrity” remains to be seen. And only

after months pass can tribal unit staff find out whether the responding parents in fact will make regular payments. There is much work and much uncertainty for DCS staff in making these efforts.

Even if comprehensive debt review and reduction projects do not induce improved payments, DCS may find them valuable for several reasons. The new federal incentive system provides a reason to reduce the massive sum reflected in the denominator. The criticisms of legislature, advocacy groups, and media about the size of the debt provide another reason. The need of any government agency to believe its actions are objective, accurate, and fair provides yet another reason.

Yet, given the mission of DCS and its ethos, staff may find such projects demoralizing unless the outcome is “improved collections.” To make these projects palatable, it is important for staff to understand that the measure of improved collections is not simply increased amounts paid.

## **Field Office Experiments: Organizing to Do Work Differently**

### ***Everett’s Special Collections Team***

The Everett field office initiated an experiment with a specialized team targeting arrears-only cases. The experiment was planned while the DCS research project on hard-to-collect cases was being completed. Project reports showed the success of the Special Collection Unit in improving collections, especially on subro-only cases. The Everett field office’s Special Collections Team began actual operations in February 1999.

As the name indicates, the team was initially established to adapt some of the methods of the Special Collection Unit to a field office setting. Members use a team approach, rather than the usual individually assigned caseload. The caseload consists of delinquent cases on which previous locate and collection strategies have not worked. They emphasize direct client contact, calling noncustodial parents and making it easy for the parents to call them (providing a toll-free direct line with SEOs answering the phone quickly and sharing all the cases). They check to see whether the noncustodial parent is incarcerated and follow up by contacting the person. They pursue collections aggressively, but also show a willingness to negotiate.

Despite the methods adapted from the earlier SCU, there are important differences between Everett’s team and the research project’s special unit.

- Until very recently, the Everett team’s caseload was limited to delinquent arrears-only cases, including arrears owed to custodial parents (AC arrears) and arrears owed to DSHS (subros). (Now, however, they are adding current support cases where the noncustodial parent is incarcerated.)
- They keep the cases until the NCP has made three consecutive monthly payments, then return the cases to regular fieldwork. Replacement cases



are referred in to the team as well throughout the year. Consequently, one cannot easily measure their success by comparing treatment with control collections.

- Most important, cases are removed from the regular caseload and assigned to the Special Collection team. That is, the team does not share control of the cases with staff in other units. This avoids a major source of friction in the earlier project on hard-to-collect cases.
- Having control of the cases allows the team members to take vigorous steps to reduce debts where appropriate. They found that inmates and others often need to have their support orders modified and need to have debts adjusted. They created an expedited process to initiate Total versus Total (the computation done by DCS state office to determine whether the total child support payments retained by DSHS is more than the total public assistance paid to a recipient). They use an expedited conference board process to get cases reviewed quickly if charge-offs for hardship seem appropriate. They make use of late hearing requests to get default administrative orders adjusted.
- Their emphasis on debt reduction and easy access for parents encourages parents to contact the team and view them as case managers rather than simply debt collectors.<sup>12</sup>
- The Everett Special Collections Team serves as a locate resource, available to brainstorm with staff in other units regarding hard-to-collect cases and to help with time-consuming work such as probate. Expanded functions are under discussion: managing all prisoner cases, pre-contempt screening, locate training for new SEOs.

How effective has the Everett experiment been? Although the Everett Special Collections Team uses a team approach rather than individually assigned

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<sup>12</sup> Their proactive style has produced an interesting twist on the IRS offset. Such offsets are of course an important proportion of DCS child support collections where arrears are owed. Each year DCS gets numerous conference board requests from noncustodial parents protesting the seizure of the tax refund. That is, the refund is the locus of a battle. The Everett team essentially reframes the problem by presenting the offset as helping the parent pay a child support debt.

The team informs noncustodial parents about the IRS Earned Income Tax Credit. The team reasoned that some parents would be more likely to file returns and others would have larger tax refunds coming if they applied for the EITC on their returns. Because child support debts are certified for IRS offset, DCS would collect more on arrears. They found that parents “are usually unaware of the program (EITC) and its benefits to them.” Consequently, last year they obtained a supply of brochures from Employment Security and distributed them to clients where appropriate. They have closed several cases “just because people filed tax returns that resulted in offsets that paid the arrears.” This year they hope to do a larger mailing. They also recommend that the IRS certification notice be changed to include EITC and VITA (free tax assistance) information or that DCS do a statewide mailing to debtors on every certified case.

caseloads, the three full-time SEOs work approximately the same cases per FTE as in regular units. The extra resource requirements *per month* are minimal: \$7.00 for an extra toll-free telephone line; eight hours of a leadworker's time; two to four hours for clerical assistance.

In the first ten months, the team concluded work on 535 cases because they were paid in full, returned as paying cases to regular caseloads, transferred to other field offices, or closed. In that period, the team collected \$564,000 (\$117,000 IRS and \$447,000 non-IRS), not including continuing payments on returned cases. As "intangible benefits," they also listed "relief for other SEOs" (by taking over their least productive cases and by providing fresh collection ideas on problem cases) and "special project availability" (office-wide assistance, discretionary management use, new companion projects).

Because of the revolving caseload, and because there is no control group, it is difficult to measure effectiveness in such a pilot. But the pilot was renewed for another year with a broadened function. This in itself is a vote of confidence in a time of tightening resources.

The final report of the research project on hard-to-collect cases recommended the use of a specialized unit to collect on subro-only cases. By comparison with control group collections, the type of case on which the Special Collection Unit made the most difference was subro-only cases.<sup>13</sup>

After a year's trial, the Everett Special Collection team moved away from handling arrears-only cases. The team's supervisor listed three main reasons for the change. (1) The caseload available of arrears-only cases was dropping. Cases were transferred out after a pattern of payment was established, and the team was not getting enough cases to replace them. (2) Team members were concerned about the limited range of functions in dealing only with delinquent arrears-only cases. They wanted experience in the full spectrum of SEO tasks to ensure the possibility of promotions. (3) Other units appreciated the team's skills in locate and in dealing with incarcerated noncustodial parents. They saw the usefulness of having one team deal with prisoners. The team had time to devote to discussing the parent's situation and case circumstances, and the prisoner had one phone number to contact. (Improving communication with incarcerated parents was, of course, another recommendation of the research project's Special Collection Unit.)

#### ***Spokane's Unit 4***

The Spokane field office is conducting a very different experiment with a specialized unit. Spokane recently reconfigured one unit based on a "Segmented Caseload Management System." The experiment is basically part of the broader effort to improve collections by organizing work differently. The system segments cases based first on paying versus non-paying cases and then by the potential or likelihood of a noncustodial parent paying. The cases end up segmented into three groups: Group 1: Paying Cases/High Potential

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<sup>13</sup> *Overcoming the Barriers to Collection*, pp. xii-xiii, and 82-88.

Noncustodial Parents (NCPs); Group 2: Non-Paying Cases/Medium Potential NCPs; and Group 3: Non-Paying Cases/Low Potential NCPs. To keep track of the cases and target them for specific purposes, each case is assigned an underlying numerical review code (URC). The targeting URC designates the group and specific category within the group, such as Group 3- Inmate, Group 3-GAU/SSI, Group 3-ISW/UIFSA(No Order), Group 2- Self-employed, Group 2-ISW/UIFSA (Ord/No Emp).

Staff within this unit (Unit 4) are assigned to a specific group. That is, each SEO's caseload consists of one type of case as designated by the segmented system. Group 1 has the "Paying Group," where current support is received each month or the NCP is meeting the requirement of a special order (e.g., an accommodation order on contempt cases). Group 2 has the "Non-Paying yet Medium Potential Group" comprised of self-employed, on-the-run, under-the-table, and not-working NCPs. Group 3 has the "Non-Paying Low Potential Group" comprised of NCPs on TANF, SSI, or GAU, and NCPs who are incarcerated. However, new cases assigned to the unit—"intake cases"—are also given to Group 3.

Why break up the caseload in this way?<sup>14</sup> The central emphasis of the segmented caseload system is to give staff more control over their work. The system does this by organizing information so that the SEO sets priorities rather than simply reacting to review codes provided by SEMS.

Typically, a field office SEO's work is reactive. The SEO responds to a stream of review codes provided by SEMS as well as to telephone calls from custodial and noncustodial parents. These cues are tied to separate cases, directing the staff person's attention from one case to another. The SEO works on a case-by-case basis, rather than efficiently dealing with grouped cases. The caseload is large, the work is increasingly complex, and the SEO is hard pressed to keep up from day to day. Unit 4's supervisor believes that the stress level of staff has been increasing over past years and that increasing numbers feel overwhelmed. Judging by verbal comments, he believes Unit 4's staff feel less stress already and their morale is better because of the new unit system.

Because of the segmented caseload system, the individual SEO manages a caseload within a single group and further refined by the targeting URC. This caseload organization entails certain work priorities for the SEO. But the SEO is also encouraged to set a single objective to accomplish with the caseload, and

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<sup>14</sup> The unit supervisor, Ken Blackwood, says he was interested in trying such an experiment for a couple of years and finally got unit staff consensus to try it. He said he was also influenced by ideas in the final report of the research project on hard-to-collect cases. A number of themes in *Overcoming the Barriers to Collection* certainly seem relevant to the unit's experiment: on barriers to collection: large segments of the caseload basically unworkable; specialized teams to target problems; the difference between a casework or "clinical" perspective and a data or "public health" perspective; using data file summaries to supplement SEMS review code system. But the purposes are quite different. This is an instance of a creative supervisor using ideas in a report as tools for another experiment.

then go on to another. The supervisor provides staff members periodically with requested information via data files taken off the DSS and meets with them regarding their objectives.

Adopting such a system requires more data tracking than that provided by the ordinary case management system in which the individual SEO works off review codes in SEMS, while state office SEMS staff provide monthly summary reports of various kinds to each field office. Spokane's Unit 4 uses both the Decision Support System (DSS) and SEMS. The supervisor takes information from the DSS each month and maintains it in an Access database. Data can be analyzed in Excel. Unit staff receive copies of updated information each month for their assigned cases. The information includes case (IV-D) number, NCP's name, URC, case type, subro type, monthly order amount (MOA), MOA paid (current support), arrears owed, arrears paid, and total collections less IRS offsets each month. These spreadsheets give SEOs a way of quickly reviewing the progress of all their cases. The unit supervisor also receives a monthly review extract from SEMS for the cases with the targeting URC. This information is compared to the DSS file for measurement and management purposes.

While the segmented caseload system may address some problems well, it appears to raise other questions. One problem for such a system is multiple cases: many noncustodial parents have more than one case on which they owe support. What if the NCP's main case is in Group 1 but he or she has another case receiving no payments? The solution adopted was to include the associated case within Group 1 but with a distinct URC. That is, the parent's cases remain together, and the assessment of the parent's paying potential is the determinant where multiple cases differ.

Another problem is that cases in one group are more time-intensive to work than those in another group. This issue is handled by assigning fewer cases per SEO to Group 3. The caseload for the whole unit is approximately 4,800-4,900 cases. Group 1 presently has an average of 630 per SEO but will shortly go down to 530. Group 2 will have about 540. Group 3 has about 350. Since newer staff are assigned to Group 3, they would have a lighter load anyway, but here the caseload also reflects the time-consuming aspects of doing establishment notices and dealing with NCPs who are incarcerated or on assistance.

Such differentiated groups require different tasks. Group 2 staff, for example, must spend much time locating assets. Because of their intake function, about 40 percent of the work in Group 3 consists of establishment notices (i.e., the locate and other work needed to establish a debt). Other than establishment notices, Group 3 staff spend much time getting debts reduced and cases closed. One technique they have adopted, with cooperation from their conference board chair, is to do *ex parte* conference boards. If an NCP cannot pay a \$60,000 debt and seems too disabled to ask for a hearing, staff initiate the conference board themselves. They do not just let unworkable cases sit with no action.

Obviously, staff in one group have more opportunity to collect child support than others do within the unit. To make a segmented caseload system work,

collection performance must be measured at the unit level. Staff must understand that this is a teamwork issue. (This would not be an ideal arrangement for an SEO who thrives on competitive collections.) Monthly tracking compares the collections per case of the unit to those of the rest of the field office. Once again, such a system makes additional demands on the supervisor for data analysis.

Everett's special unit staff found differentiated tasks a problem because lack of experience in the full spectrum of tasks might inhibit promotion. The research project's Special Collection Unit found boredom became a problem and recommended rotating staff every few months. The Spokane unit's supervisor offers staff rotation between the three groups as a possible option in case of such issues. (But this requires switching groups with another SEO.) However, before assignment, staff were surveyed to find out what they liked best and least about their jobs. They had a chance to pick a group likely to emphasize tasks they like. Over the years he has repeatedly given the same survey to staff and has found it's "like a rainbow." The preference for tasks balances out. He thinks staff will distribute themselves according to interests, but those who wish to promote must make their needs known for new tasks.

## **Conclusion**

In Part 3 we have discussed the impact of welfare reform and changes in IV-D performance measures on the ways child support agencies need to look at arrearages. For DCS, these changes mean that the agency must become much more concerned about the size of arrearages and the accuracy of the support orders that led to their accumulation.

We listed several strategies that can be used to increase collections on arrears, reduce debts, and improve DCS performance on the federal measure. For DCS, the most comfortable posture is to continue its emphasis on increasing collections.

In Part 3 we also reviewed recently introduced programs, including federal requirements, statewide DCS initiatives, and local field office projects. We appraised these from the perspective of DCS performance on arrears. We emphasized that this viewpoint is not necessarily the reason for the initiative or the best perspective on its possible success or failure. Imposing this particular lens, however, can provide useful insights on the side effects of a policy.

Several programs are intended to increase collections, including collections on arrears. Of these, the most promising is the Financial Institution Data Match Program (FIDM). This program is already generating hundreds of thousands of dollars each month, even before its full implementation. This program appears to offer much more money for considerably less field staff effort. It appears effective at locating assets of parents who really can pay off sizeable child support debts.

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Two other federal mandates are New Hire Reporting and License Suspension. Our appraisal is limited because DCS has not implemented full reporting yet in respect to an internal tracking system. But all indications are that these programs will mainly target noncustodial parents who are self-employed, work seasonally, or have marginal income. These programs probably will not generate large amounts of money. Yet they may contribute to incremental increase in arrears collected. They also may improve performance on the arrears indicator by bringing in payments on more cases. (The indicator for arrears looks at numbers of cases rather than amounts of money.)

A number of local projects also seek to increase collections, either by improving collection tools, by seeking to increase penalties (through criminal contempt charges for example), or by negotiating lower current support.

Some local projects include creative efforts to address barriers to collection. DCS participation in WtW programs provides some excellent examples. These efforts may bring noncustodial parents into the ranks of regular payers and have modest potential for increasing current support collected in the near future. But in the short term, their main impact on arrears will be to review cases and correct the debt.

We have argued that some of the statewide and local initiatives with most potential for improving performance on arrears are those that review cases to correct support orders and charge off debt for hardship. Although these efforts are very important, the problem is that they are staff intensive or offered on a case-by-case basis in response to the noncustodial parent's petition.

At least two field offices are experimenting with reorganizing the work process to see if this results in more effective and efficient collections. These interesting experiments have the potential for improving case monitoring and concentrating effort where needed.

We have also suggested that DCS may not always recognize the changes needed to respond to the new federal performance measures. The ethos of the agency is to collect more, to preserve debt, and to keep cases open to preserve the possibility of collecting. Of course, the ethos is reinforced by many legal requirements, both state and federal. Nevertheless, there is room for policy decisions and staff training to improve DCS capacity to respond to the new setting.

DCS has always clearly maintained that increasing collections is the highest priority. Within its Operational Plan, Goal #3 is that "All children in IV-D cases receive financial and medical support from both parents." This goal contains several objectives with measures for each. These objectives reflect federal performance measures and others set by the state. One of course is to "increase the percentage of current child support collected . . ." and another is to "increase the percentage of cases paying toward arrears . . . ."

How can DCS establish review and correction of child support orders and debts as a priority also? In the DCS Operational Plan, Goal #2 is that "All children in

IV-D cases have accurate financial and medical support orders.” The objectives cited with the goal pertain to the percentage of cases with orders established.

But DCS has stated in other documents that this goal refers to accuracy, and accuracy does not always mean “more.” This goal is an avenue for review and correction of support orders. As such, it presents an opportunity to modify by either enlarging or reducing support orders. Where the existing order was based on inaccurate information, reduction of some debts is possible. In attacking the arrearage problem, Goal #2 may prove more important than Goal #3, which seeks to increase collections. The challenge for DCS is to develop some operational measures that clearly acknowledge the new priority of accuracy.